

Staff Report

MATTER OF SOLID WASTE RATES AND SERVICES: ALTERNATIVES

Honorable Mayor and Council Members:

Discussion

Comparative Data:

In June 2006, the City Council increased the rates for refuse collection and related services. The overall rate increase is an estimated 25.65%. The rate is structured to pay for refuse collection, refuse disposal, recycling collection and processing, yard waste/organic collection and processing, refuse cost adjustment account, refuse services related franchise fee, street sweeping and heavy vehicle impact mitigation fee. The estimated revenue derived from refuse rate is \$4,696,680. The estimated cost for all the services and fees that are paid for out of refuse fee revenues is \$4,696,680. The percentage of individual cost centers to the total costs are as follows:

Refuse Collection	34.22%	\$1	,607,340
Refuse Disposal	15.12%	\$	710,220
Recycling Collection and Processing	11.9	94%	\$ 560,700
Yard Waste/Organic Collection and Processing	7.96%	\$	373,800
Refuse Cost Adjustment (Fund Balance)	12.46%	\$	585,430
Refuse Franchise Fee (10% of Refuse Costs)	7.96%	\$	373,800
Street Sweeping	7.95%	\$	373,250
Heavy Vehicle Impact Fee	2.39%	\$	112,140
Totals	100.00%	\$4	,696,680

The cost centers and relative percentages are illustrated on a "pie" chart, which is attached to this report. It should be noted that the actual dollar amounts and related percentages will fluctuate, due to changes in service levels. For instance, a residential customer is able to reduce or increase the cost of refuse collection service by changing the size of their refuse container. Commercial customers are also able to affect their refuse collection costs by changing container/bin sizes and/or the frequency of collection. Nevertheless, the cost numbers and relative percentages are illustrative of the FY 2006-07 refuse collection and services costs and revenues.

Alternative Rate Approaches:

The Council considered a few rate setting options before deciding on the 25.65% rate increase. A major policy issue that needed to be addressed with the setting of a new refuse collection rate, were the costs that had been incurred by Allied in previous years, but not reimbursed. The rate selected needed to be sufficient enough to pay down the refuse collection cost payable, while adequately funding the payments due in the current year.

The following chart graphically sets forth three of the alternatives:

FY 05	<u>FY 06</u>	<u>FY07</u>	<u>FY 08</u>	FY 09	FY 10
13.5%	9.0%	9.0%	0.0%	0.0%	0.0%
13.5%	0.0%	25.65%	0.0%	0.0%	0.0%
13.5%	0.0%	8.75%	8.75%	8.75%	8.75%

The first alternative would have required a retroactive rate increase for FY 06. That alternative was not considered to be a desirable one. The third alternative (line three) would have required an 8.75% rate increase each remaining fiscal year of the refuse franchise agreement. The first year the new rate, based on an 8.75% increase, would be \$17.45 per month (32 gallon container). The 8.75% rate would have compounded each year. The total simple rate increase would have been 35.0% (8.75 x 4). The compounded rate increase, over the four years would have been 39.88% (\$16.05 to \$22.45 per month). The selected alternative of a one-time 25.65% rate increase does not compound. The simple rate increase is about 6.42% per annum. The rate (\$20.17 per 32 gallon container) is constant for each fiscal year, through the term of the franchise agreement. The rate selected "front loads" revenue, which provides the City with the financial flexibility and capacity to address the refuse collection cost payable, while funding current year costs.

Rate Adjustment Factors:

The Council has discussed the possible reduction in the 25.65% rate increase. There are several approaches to reducing the current rates, which are variable based on size of container (can or bin) and frequency of collection. For simplicity, the unit of measure will be the 32 gallon container that is typically used by single family residences. The June 2006 rate increase changed the rate from \$16.05 to \$20.17 per month. The \$16.05 rate included the Traffic Impact Mitigation Fee. This report will set forth various reduction alternatives, for the Council's consideration:

Eliminate the Traffic Impact Mitigation Fee: \$20.17 - \$.48 = \$19.69 (22.68%)

Eliminate the Street Sweeping Fee: \$20.17 - \$1.60 = \$18.57 (15.70%)

Eliminate the Cost Adjustment Fund: \$20.17 - \$2.51 = \$17.66 (10.03%)

The three cost factors above are not inherent costs directly associated with the collection and disposal of refuse. However, the process of the collection and disposal of refuse directly impact city streets and creates NPDES pollution issues, which street sweeping mitigates. Although, the

Cost Adjustment Fund Fee does collect monies that would be utilized to pay for refuse collection cost liabilities, which have arisen because previous year revenues were not sufficient to pay for the cost of providing refuse collection services. All three of the above cost centers, if not paid through the refuse rate, would be the obligation of the General Fund for payment. The percentages that are in parenthesis reflect the increase, if the related cost center was eliminated. The elimination of cost centers could also be done in combinations, if that is the wish of the Council.

Survey Information:

Staff has compiled a survey of current refuse rates for the South Bayside Waste Management Authority (SBWMA) cities. The survey contains information for residential and commercial rates. There are eleven agencies surveyed. The median monthly residential refuse collection rate (32 gallon container) is \$16.95. The average rate is \$17.73. The City of Belmont's rate of \$20.17 is just above the median and the average rates.

Attached to this report is an excellent survey of solid waste rates and services in San Mateo County. The data collected is as of June 2006. Still, the survey compilation contains useful comparative data.

Fiscal Impact

No fiscal impact to this report – information only.

Recommendation

Staff makes the following alternative recommendations, regarding refuse collection rates:

 $1. \ \ \, \text{The 25.65\% rate increase, approved in June 2006, remain unchanged.}$

or

2. Direct staff to bring a rate reduction resolution, at the January 23, 2007 Council meeting

Attachments

- A. Pie Chart
- B. Survey of Solid Waste Rates and Services in San Mateo County

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Terrence L. Belanger	
Interim City Manager	

Respectfully submitted,

Council - Matter of Solid Waste Rates and Services: Alternatives

December 12, 2006

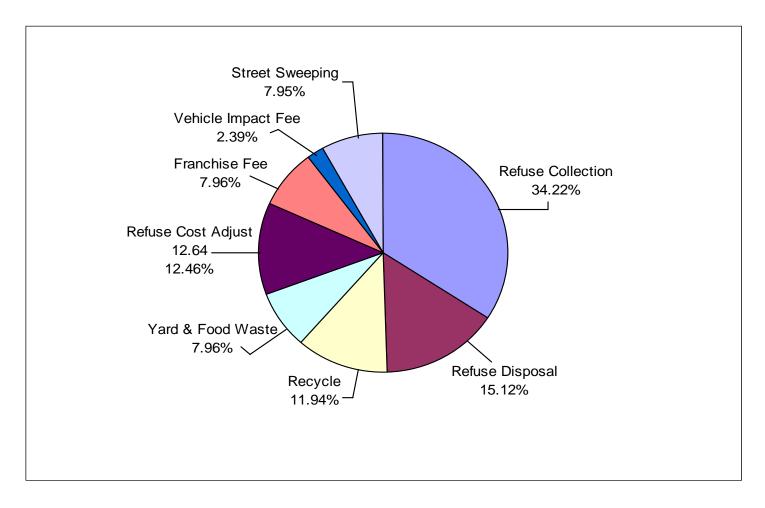
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PERCENTAGE OF REFUSE REVENUES BY COST CATEGORY

PIE CHART ILLUSTRATION



- The pie chart illustrates the allocation of refuse revenues by cost category
- The total allocation for refuse collection costs is 89.66%
- The total allocation for refuse-related environmental services is 10.34%

Attachment B